COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DELAPLAIN DISPOSAL COMPANY FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	))))	CASE NO. 91-282

O R D E R

On August 26, 1991, Delaplain Disposal Company ("Delaplain") filed its application for Commission approval of a proposed increase in its rates for sewer service. Commission staff, having performed a limited financial review of Delaplain's operations, has prepared the attached staff report containing staff's findings and recommendations regarding Delaplain's proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 15 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have 15 days from the date of this Order to provide written comments regarding the attached staff report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, then this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky this 20th day of December, 1991.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director

RECEIVED

DEC 20 1991

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

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THE APPLICATION OF DELAPLAIN DISPOSAL COMPANY FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES)	CASE NO. 91-282

STAFF REPORT

December 20, 1991

Prepared By: Mark C. Frost
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Rates and Tariffs Division

Prepared By: Barbara Jones
Public Utility Rate Analyst
Communications, Water and
Sewer Rate Design Branch
Research Division

STAFF REPORT

ON

DELAPLAIN DISPOSAL COMPANY

CASE NO. 91-282

A. Preface

On August 26, 1991, Delaplain Disposal Company, ("Delaplain") filed its application seeking to increase its rates pursuant to the Alternative Rate Filing Procedure for Small Utilities. Delaplain's proposed rates would produce an increase in its annual revenues of $177,525, an increase of 135.7 percent[1] over test-period normalized revenues from rates of $103,774.

In order to evaluate the requested increase, the Commission Staff ("Staff") chose to perform a limited financial review of Delaplain's operations for the test period, the calendar year ending December 31, 1990. Mark Frost of the Commission's Division of Rates and Tariffs performed its limited review on September 9, 1991 and October 3, 1991.

Mr. Frost is responsible for the preparation of this Staff Report except for Section B, Operating Revenue; Section D, Rate Design; and Appendices A and B, which were prepared by Barbara Jones of the Commission's Research Division. Based on the findings contained in this report, Staff recommends that Delaplain be allowed to increase its annual revenues by $99,007.

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1 $177,525 ÷ $103,774 = 135.7%.

Scope

The Scope of the review was limited to obtaining information as to whether the test-period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Commentary

In an attachment to its 1990 Annual Report titled "Conversion from Cash to Accrual Basis," Delaplain admitted that its records are maintained on a cash basis and thus, its Annual Reports filed with the Commission are prepared on that basis. The Uniform System of Accounts for Class A and B Water Companies requires that, "Each utility shall maintain its books using accrual accounting methods." Staff is of the opinion that Delaplain should comply with this requirement.

B. Analysis of Operating Revenues and Expenses

Normalized Revenue

Delaplain's 1990 Annual Report shows 79 residential customers and 15 commercial customers generating revenue from sewer service rates of $96,030. However, the application shows sewer service revenues of $94,822. No information was filed to reconcile the difference in these revenue amounts.

Delaplain's application shows that the number of residential customers had increased to 85 as of the end of the test year, representing a growth rate of approximately 7 percent. Delaplain initially assumed its commercial/industrial usage would increase proportionally and calculated revenue from proposed rates based on the higher commercial/industrial usage. However, in its response of October 4, 1991, Delaplain stated it does not believe the projected growth in commercial/industrial usage will occur.

As a part of its review, Staff prepared a billing analysis for the test period. Using the current rate schedule with the 85 residential customers shown in the application and actual test year usage for commercial/industrial customers produces normalized test year revenue of $103,774. Staff's billing analysis shows that annual revenues of $281,299 will be produced by the proposed rates.

Tap Fees

Delaplain reported in its 1990 annual report tap fees totalling $8,500 and recorded this amount as operating revenue. Staff is of the opinion that the Uniform System of Accounts requires these fees to be classified on the balance sheet as contributed property. Therefore, Staff recommends that operating revenue from sewer service be decreased by $8,500 and contributed property increased by $8,500.

Operating Expenses

In its application, Delaplain reported operating expenses of $221,386 for the test period, which includes interest expense of $73,666. The following are Staff's recommended adjustments to Delaplain's actual test-period operations:

Management/Operation Fee: Delaplain reported test-period management/operation fee expense in the amount of $42,007, which represents the amount Proctor/Davis/Ray Engineers ("PDR") billed Delaplain for those services. In 1987 Delaplain and PDR entered into a Management Agreement ("Agreement") detailing PDR's services and fees.

In the daily operation of Delaplain, the Agreement gives PDR "the responsibility of administering, operating and maintaining the Plant and the related facilities." Furthermore, the Agreement states, "PDR shall design, secure all necessary governmental approvals for, construct, and place into service a new treatment and pumping facility." The Agreement does not provide for a fixed annual management/operation fee, but does list PDR's hourly rates by employee classification.

Upon review of PDR's listed employee classifications, Staff determined that the majority of the listed classifications (i.e., Project Manager, Project Engineer, Designer etc.) would not be involved in the daily management and operation of Delaplain. These employees services appear to be associated with either the initial construction and design phase mentioned in the Agreement or with Delaplain's capital improvements.

Staff reviewed both the Agreement and PDR's invoices to determine to what extent each employee classification is involved in the daily operation and management of Delaplain. Since, neither the Agreement or invoices detailed the duties performed by PDR, Staff requested Delaplain to provide this information. However, Delaplain failed to provide the documentation requested by Staff to support the services performed by PDR in the test-period and the fee billed by PDR.

PDR's 1989 routine maintenance service fee was $17,500. In Delaplain's last rate case,[2] Staff could not calculate the exact amount of the fee PDR billed, however, Staff did determine that given the services provided (i.e., administrative, operation, and maintenance functions) that a fee of $17,500 was reasonable. Based on its review of PDR's test-period invoices, Staff determined that the actual fee PDR billed Delaplain in the test period was $45,414. This represents an increase of 160 percent above Delaplain's management\operation fee determined reasonable in Case No. 89-060.

An increase of 160 percent is substantial and has not been adequately supported by Delaplain. In addition a utility of Delaplain's size should not require the services of an engineering firm in its daily management and operation. Therefore, Staff is of the opinion that Delaplain's reported management/operation fee is unreasonable and should be disallowed for rate-making purposes.

Based on its review of PDR's invoices, Staff has determined that a reasonable level of management/operator fee expense is $13,692, as shown in Appendix D. Staff has excluded the fees paid to PDR for the routine maintenance service and transportation. The fees for these services will be discussed in the routine maintenance and transportation sections of this report.

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[2] Case No. 89-060, Application of Delaplain Disposal Company for a Certificate of Public Convenience and Necessity and to Increase Rates, Staff Report filed September 18, 1989, Page 6.

Accordingly, Staff recommends that the reported test-period management/operation fee expense be decreased by $28,405.

Sludge Hauling/Testing: Delaplain proposed a pro forma level of sludge hauling/testing expense of $7,347, an increase of $350 above its test-period level of $6,997. Delaplain's adjustment is based on a 5 percent anticipated inflationary price increase.

During the course of the field review, Staff advised Delaplain that all proposed adjustments must meet the rate-making criteria of being known and measurable, and be supported by some form of documentation (e.g., invoice or contract.) Staff is of the opinion that an adjustment based on an estimated inflation factor would fail to meet this established rate-making criteria. Accordingly, Staff recommends that Delaplain's pro forma adjustment be rejected.

In 1991 Martins Sanitation increased its sludge hauling fee from $118 to $125 per load. An adjustment based on an increased fee would meet the rate-making criteria of known and measurable. Upon review of the Martins Sanitation invoices, Staff determined that 28 loads of sludge where hauled in the test period. Based on the increased fee and the number of loads hauled in the test period, Staff has determined that Delaplain's pro forma sludge hauling expense would be $3,500.[3]

Delaplain pays Commonwealth Technology, Inc. a fee of $170 per month for effluent testing required by the Division of Water.

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3 $125 x 28 Loads = $3,500.

The annualization of this fee results in normalized testing expense of $2,040.[4]

Staff's recommended sludge hauling/testing expense is $5,540,[5] a difference of $1,457 from the amount Delaplain reported. Accordingly, test-period sludge hauling/testing expense has been reduced by $1,457.

Utilities: Delaplain proposed a pro forma level of utility expense of $23,411, an increase of $1,115 above its test-period level of $22,296. Delaplain's adjustment is based on a 5 percent anticipated inflationary price increase. As previously stated, an adjustment based on an inflationary price increase would fail to meet the rate-making criteria of known and measurable. Therefore, Staff recommends that this adjustment be rejected.

A detailed analysis of the test-period invoices revealed that the actual utility expense was $24,540,[6] a difference of $2,244 from the amount Delaplain reported. Accordingly, utility expense has been increased by $2,244.

Routine Maintenance Fee: During the test-period Delaplain's routine maintenance was provided by PDR in accordance with the

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4 $170 x 12 Months = $2,040.

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Sludge Hauling Expense	$ 3,500
Testing Expense	+ 2,040
Sludge Hauling/Testing	$ 5,540

6

Kentucky Utilities	- Electric Service	$ 20,241
	- Security Light	86
Kentucky-American	- Water Service	4,213
Utility Expense		$ 24,540

aforementioned Agreement. In providing this service to Delaplain, PDR relied on an independent contractor. However, in 1991 the independent contractor began to directly bill Delaplain for this service.

PDR's test-period invoices shows that the independent contractor worked 950 hours at Delaplain's treatment plant. Based on the hours worked and the contractor's rate of $12 per hour, Delaplain's routine maintenance fee expense would be $11,400.[7] Staff is of the opinion that a routine maintenance fee of $11,400 is reasonable and therefore, increased operating expenses by this amount.

Maintenance: Delaplain proposed a pro forma level of maintenance expense of $33,132, an increase of $1,578 above its test-period level of $31,554. Delaplain's adjustment is based on a 5 percent anticipated inflationary price increase. As previously stated, an adjustment based on an inflationary price increase would fail to meet the rate-making criteria of known and measurable. Therefore, Staff recommends that this adjustment be rejected.

Delaplain's reported maintenance expense of $31,554 reflects an adjustment of $8,179 above the amount reported in its 1990 Annual Report. As previously mentioned, Delaplain's records are maintained on a cash basis and thus, its Annual Reports are

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7 950 Hours x $12 = $11,400.

prepared on that basis. Delaplain's adjustment of $8,179 reflects converting maintenance expense from a cash to an accrual basis.

In its review of the test-period invoices, Staff was unable to determine how Delaplain arrived at its accrual adjustment. In an attempt to document the accrual adjustments, Staff requested and Delaplain failed to provide an analysis of each adjustment along with all supporting invoices. Based on Delaplain's failure to provide the requested information, Staff recommends that maintenance expense be decreased by $8,179.

After reviewing the test-period invoices, Staff determined that the following expenditures are capital in nature:

Lexington Industrial Services - Rebuilt Pump #2 at Station #1	$ 1,514
Lexington Industrial Services - Rebuilt Blower Motor	$ 729
Cannon Construction Company - Replace APCO Valve at Hall Farm	$ 582

After consulting with the Commission's Engineering Division ("Engineering"), it was determined that the above expenditures should be depreciated over 5 years. Therefore, Staff recommends that maintenance expense be decreased by an additional $2,825[8] and depreciation expense increased by $565.[9]

8

Rebuilt Pump	$ 1,514
Rebuilt Blower	729
Replace APCO Valve	+ 582
Total Recommended Adjustment	$ 2,825

9 $2,825 ÷ 5 Years = $565.

Upon further review of the test-period invoices, Staff determined that the following expenditures were non-recurring in nature:

Cannon Construction Company - Replace Gravity Line (Amount Paid in 1990)	$ 2,000
Cannon Construction Company - Repair Road Erosion	$ 1,768

After consulting with Engineering, it was determined that the above expenditures should be amortized over 3 years. However, Delaplain's total cost to replace its gravity line should be amortized rather than just the amount paid in the test period. Staff determined that the gravity line replacement cost $3,995,[10] which is net of the insurance settlements received by Delaplain. Thus, Staff recommends that maintenance expense be decreased by an additional $3,768[11] and amortization expense be increased by $1,921.[12]

Based on the above recommended adjustments maintenance expense has been decreased by $14,772, depreciation expense increased by $565, and amortization expense increased by $1,921.

10

Cannon Construction Company - Gravity Line replacement	$ 10,195
Less: Insurance Settlements	
Maryland Casualty Co.	(2,400)
American States Ins. Co.	(3,800)
Net Cost to Delaplain	$ 3,995

11

Gravity Line Replacement - 1990	$ 2,000
Repair Road Erosion	+ 1,768
Non-recurring Adjustment	$ 3,768

12 ($3,995 + $1,768) + 3 Years = $1,921.

Accounting/Legal: Delaplain proposed a pro forma level of accounting/legal expense of $13,432, an increase of $10,000 above its test-period level of $3,432. Delaplain attributed its adjustment to the filing of this rate case and the numerous reviews and meetings it attended with the Division of Water.

Staff requested Delaplain to provide documentation (i.e., invoices, detailed time and cost estimates, etc.) to support its proposed adjustment, which Delaplain failed to furnish. As previously mentioned, Delaplain was informed that a pro forma adjustment must be documented (e.g., invoice or contract) in order to meet the rate-making criteria of known and measurable. Based on Delaplain's failure to document this adjustment, Staff recommends that it be rejected.

Delaplain's application included accounting/legal expense of $3,432 that was not reported in Delaplain's 1990 Annual Report. As previously mentioned, Delaplain's records and 1990 Annual Report are maintained on a cash basis. Accounting/legal expense represents Delaplain's proposed adjustment to convert its test-period income statement from a cash basis to accrual basis.

As with maintenance expense, Staff was unable to determine how Delaplain arrived at its reported accounting/legal expense of $3,432. In order to document its accrual adjustments, Delaplain was requested to provide an analysis of each adjustment along with all supporting invoices. In response to Staff's request, Delaplain provided two invoices for legal fees totaling $652. The remaining $2,780 is unsupported and thus, Staff recommends that accounting/legal fees be reduced by this amount.

In its review of the two invoices Delaplain provided, Staff determined that Delaplain paid $100 in corporate filing fees and $552 for a renegotiation of its loan payment schedule. Delaplain's legal fee associated with the loan negotiation is a non-recurring expenditure that should be amortized rather than expensed. Staff is of the opinion that a 3 year amortization period is appropriate and has calculated amortization expense of $184.[13] Therefore, Staff recommends that accounting/legal expense be reduced by an additional $552 and amortization expense increased by $184.

Based on the above recommended adjustments, accounting/legal expense has been reduced by $3,332[14] and amortization expense increased by $184.

Transportation: As previously mentioned PDR relied on an independent contractor to perform Delaplain's routine maintenance service. PDR's management/operation fee included transportation reimbursements paid to this independent contractor. Since Delaplain is billed directly for the routine maintenance service, it must now pay the transportation reimbursement.

PDR's test-period invoices shows that the independent contractor was reimbursed for a total of 7,007 miles in the test period at the Internal Revenue Service ("IRS") standard mileage rate. According to the Internal Revenue Code Section 162, the

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13 $552 + 3-years = $184.

14 $2,780 + $552 = $3,332.

1991 standard mileage rate is $0.275 per mile. Staff is of the opinion that the IRS standard mileage rate is reasonable and should be used in this instance.

Staff has calculated transportation expense of $1,927[15] based on the 1991 standard mileage rate and test-period mileage. Accordingly, operating expenses have been increased by this amount.

New Construction: Delaplain proposed a pro forma level of new construction expense of $5,000, which reflects the cost to relocate Delaplain's effluent discharge. Staff requested Delaplain to provide documentation (i.e., invoices, detailed time and cost estimates, etc.) to support its proposed adjustment, which Delaplain failed to furnish. As previously mentioned, Delaplain was informed that a pro forma adjustment must be documented (e.g., invoice or contract) in order to meet the rate-making criteria of known and measurable. Based on Delaplain's failure to document this adjustment, Staff recommends that it be rejected.

Interest: Delaplain proposed a pro forma level of interest expense of $72,666, an decrease of $1,000 from its test-period level of $73,666. Delaplain's adjustment is based on its current outstanding loan principal.

On April 10, 1989, Delaplain entered into a loan agreement with the Citizens Fidelity Bank and Trust Company Lexington

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15 7,007 Miles x $0.275 = $1,927.

("Citizens Bank") whereby it borrowed $670,000 to be amortized over 5 years at a variable interest rate of 1 percent plus the prime interest rate charged by Citizens. The loan agreement required Delaplain to pay 59 monthly principal payments of $2,972 plus accrued interest with the remaining principal balance being the final payment due.

Delaplain used its loan proceeds to construct a new treatment plant. However, Delaplain did not request or receive either a Certificate of Public Convenience and Necessity to construct its treatment plant or Commission approval of its loan.

On February 28, 1990, Delaplain received notification from Citizens that its January and February 1990 loan payments were past due. Delaplain requested that Citizens amend its payment schedule to equal monthly interest and principal payments of $7,000. In its letter of February 28, 1990, Citizens agreed to the following payment schedule:

Year 1	$ 7,000 monthly interest and principal payment
Year 2	$ 8,000 monthly interest and principal payment
Years 3-5	$ 10,000 monthly interest and principal payment

Citizens' prime interest rate on November 12, 1991 was 7.5 percent which would result in an effective interest rate of 8.5 percent. Based on the current interest rate of 8.5 percent and the above repayment schedule, Delaplain's final loan payment ("balloon payment") would be $297,834 as shown in Appendix E.

Based on its analysis of Delaplain's balance sheet, Staff has determined that Delaplain will not possess the financial capability to pay its balloon payment when due, thereby, necessitating its refinancing.

In general, companies tend to finance long-lived projects with long-term financing. Given that the Commission did not grant approval of Delaplain's original loan, and the uncertainty surrounding Delaplain's future balloon payment, Staff is of the opinion that Delaplain's loan should be amortized over a period consistent with the life of the plant. After consulting with Engineering, it was determined that Delaplain's estimated depreciable life for its treatment plant of 20 years[16] is reasonable and should closely approximate its actual useful life. Therefore, Delaplain's loan should be amortized over a 20 year period.

Based on the amortization schedule attached hereto as Appendix F, Delaplain's annual debt payment or debt service will be $70,355 and its 1991 interest expense will be $53,502. Therefore, test-period interest expense has been decreased by $20,164.

Operations Summary

Based on the recommendations of Staff contained in this report, Delaplain's operating statement would appear as set forth in Appendix C to this report.

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Utility Plant In Service	$ 648,154
Test-Period Depreciation Exp	+ 32,408
Composite Depreciation Life	20 Years

C. Revenue Requirement Determination

As mentioned above, Delaplain's annual debt service is $70,355 as shown in Appendix F. Delaplain's adjusted operations reflect a net operating loss of $14,581 which results in a Debt Service Coverage ("DSC") of <0.21>x.[17] The increase in rates requested by Delaplain would result in a net operating income of $162,945[18] and a DSC of 2.32x.[19]

Staff is of the opinion that a 1.2x DSC will provide sufficient revenues to allow Delaplain to meet its operating expenses, service its debt, and provide for reasonable equity growth. A DSC of 1.2x will result in a revenue requirement of $202,781[20] and therefore, Staff recommends that Delaplain be granted an increase in annual revenue of $99,007.[21]

D. Rate Design

Delaplain's present rate structure consists of a flat rate for residential customers and a rate per thousand gallons of water usage for commercial/industrial customers. In its application,

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17 $<14,581> + $70,355 = <0.21>x.

18 $<14,581> + $177,526 = $162,945.

19 $162,945 + $70,355 = 2.32x.

20

Debt Service	$ 70,355
DSC	x 1.2
Subtotal	$ 84,426
Adjusted Operating Expenses	+ 118,355
Revenue Requirement	$ 202,781

21

Revenue Requirement	$ 202,781
Normalized Operating Revenue	- 103,774
Increase in Annual Revenues	$ 99,007

Delaplain did not propose a change in its residential rate design, but did propose to change its commercial/industrial rate structure to a two-step, declining block rate design. Under the proposed rate design, commercial/industrial customers who are billed monthly would pay a minimum monthly bill which would allow usage up to 10,000 gallons per month, with all usage in excess of 10,000 gallons billed at a flat rate per thousand gallons. For customers who are billed quarterly, application of the minimum bill would be based on the average usage for the three-month period.

In response to a Staff request, Delaplain filed monthly usage for each of its commercial/industrial customers for the test year.[22] Delaplain did not have actual usage for Comfort Inn for the months of May, June, July, August and November. Staff, therefore, obtained this information by telephone from Kentucky-American Water Company in order to complete the billing analysis.

Delaplain's calculation of revenue which would be generated by its 85 residential customers is correct and shows annual revenue at current rates of $24,480 and $46,920 at proposed rates, a 92 percent increase over the test year level. However, when actual test year usage for Comfort Inn is utilized in place of the estimated usage used by Delaplain, the billing analysis shows test year usage of 14,821,250 gallons and annual revenue from current

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22 Exhibit 1, filed October 23, 1991.

commercial/industrial rates of $79,294. Total test year revenue from sewer service rates should, therefore, be $103,774.

Delaplain initially projected an increase in commercial/industrial usage of 7 percent and calculated its revenue from proposed rates based on estimated annual usage of 15,750,000 gallons. However, in its October 4, 1991 response, Delaplain stated it does not believe the anticipated growth will occur. Staff agrees, and has based its calculations on actual test year usage of 14,821,250 gallons. In addition, Delaplain applied the proposed rates on a per thousand gallon basis without consideration of the revenue effect of the minimum bill where customers use less than the 10,000 gallon monthly minimum. When this factor is taken into consideration, the billing analysis shows Delaplain's proposed rates and rate design for commercial/industrial customers would produce $234,379 annually, bringing the combined annual revenue from proposed rates to $281,299.

The proposed rates and rate design result in a 92 percent increase for residential customers and an overall increase of 196 percent for commercial/industrial customers. However, in preparing the billing analysis, Staff found that 5 of Delaplain's commercial/industrial customers[23] consistently use less than the

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23 Trinity, Clark Equipment, Department of Transportation Weigh Station, Scott Industries and Commercial Car Carriers.

10,000 gallon monthly minimum, resulting in increases to these customers ranging from 243 percent to 2107 percent while reducing the increase to other commercial/industrial customers to 190 percent. (See Attachment 1)

Delaplain offered no evidence in support of the proposed change in rate design. Staff is of the opinion the proposed rate design for commercial/industrial customers will result in charges that are unfair and unreasonable and recommends that it be denied and that Delaplain continue with its current rate structure. Staff is of the opinion that the rates in Appendix A will produce the recommended revenue requirement and recommends their approval.

Disconnection Charge

Delaplain proposed to establish a disconnection charge of $500 which is equivalent to its existing tap fee. The disconnect charge would be assessed if a customer's account became delinquent by 60 days or if a customer failed to comply with Delaplain's pre-treatment program.

Delaplain did not provide additional justification in this case for the disconnect charge; however, cost justification for the $500 tap fee was provided in Case No. 7979.[24] Since the cost to disconnect sewer service is substantially the same as the cost to install the initial tap, the proposed disconnect fee is

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24 Complaint of Mr. Ray Parks Against Triport Disposal Company and Mr. William Dougherty as to the Provision of Sewage Service to the Moon Lake Subdivision, Georgetown, Kentucky.

reasonable. However, the proposed tariff language should be revised to clarify that the disconnection charge will be assessed only if service is physically disconnected.

D. Signatures

Mark C. Frost

Prepared By: Mark C. Frost
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Rates and Tariffs Division

Barbara Jones

Prepared By: Barbara Jones
Public Utility Rate Analyst
Communications, Water and
Sewer Rate Design Branch
Research Division

APPENDIX A
TO STAFF REPORT CASE NO. 91-282

The Staff recommends the following rate be prescribed for customers of Delaplain Disposal Company.

Customer Class	Monthly Rate
Residential	$35.00
Commercial/Industrial	11.30 per 1,000 gallons

APPENDIX B

TO STAFF REPORT CASE NO. 91-282

Commercial Usage and Revenue

	Gallons	Test-Year Revenue	Proposed Revenue	Amount of Increase	Percent of Increase
Day's Inn	2,868,750	15,347.81	44,465.63	29,117.82	190%
Comfort Inn	2,040,500	10,916.68	31,627.75	20,711.07	190%
C & D Products	214,500	1,147.58	3,324.75	2,177.17	190%
Premix-Molding Co.	403,500	2,158.73	6,254.25	4,095.52	190%
Trinity	99,750	533.66	2,251.38	1,717.72	322%
NYK	2,003,250	10,717.39	31,050.38	20,332.99	190%
Clark Equipment	148,500	794.48	2,724.14	1,929.66	243%
Georgetown Auto	1,122,000	6,002.70	17,391.00	11,388.30	190%
Grandma's Kitchen	3,737,250	19,994.29	57,927.38	37,933.09	190%
Hoover	484,500	2,592.08	7,509.75	4,917.67	190%
Ryder	1,023,000	5,473.05	15,856.50	10,383.45	190%
Delaplain Center	543,000	2,905.05	8,416.51	5,511.46	190%
Dept. Transportation Weight Station	55,500	296.93	1,860.00	1,563.07	526%
Scott Industries	15,750	84.27	1,860.00	1,775.73	2107%
Comm. Car Carriers	61,500	329.03	1,860.00	1,530.97	465%
Totals	14,821,250	79,293.73	234,379.42	155,085.69	

APPENDIX C

TO STAFF REPORT CASE NO. 91-282

	Accrual Basis	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues:			
Revenues from Sewage Rates	$ 94,822	$ 8,952	$ 103,774
Miscellaneous - Tap Fees	8,500	(8,500)	0
Total Sewage Service Rev	$ 103,322	$ 452	$ 103,774
Operating Expenses:			
Operation & Maintenance Exp:			
Management/Operation Fee	$ 42,007	$ (28,045)	$ 13,962
Sludge Hauling/Testing	6,997	(1,457)	5,540
Utility Expense	22,296	2,244	24,540
Chemical Expense	1,767	0	1,767
Maintenance Expenses:			
Routine Maint. Service Fee	0	11,400	11,400
Maint. of Pumping System	31,554	(14,772)	16,782
New Construction	0	0	0
Administrative & General Exp:			
Accounting/Legal Expense	3,432	(3,332)	100
Insurance Expense	1,431	0	1,431
Transporation Expense	0	1,927	1,927
Misc General Exp	2,636	0	2,636
	$ 112,120	$ (32,035)	$ 80,085
Depreciation Expense	32,408	565	32,973
Amortization Expense	0	2,105	2,105
Taxes Other Than Income Taxes	3,192	0	3,192
Total Operating Expenses	$ 147,720	$ (29,365)	$ 118,355
Net Operating Income	$ (44,398)	$ 29,817	$ (14,581)
Other Deductions:			
Interest Expense	73,666	(20,164)	53,502
Net Income	$ (118,064)	$ 49,981	$ (68,083)

APPENDIX D

TO STAFF REPORT CASE NO. 91-282

Proctor/Davis/Ray Management/Operation Fee

Employee Classifications	Test-Period Hours	Test-Period Hourly Rates *	Test-Period Amount Billed
100 General Administrative:			
Clerical	15.5	$ 21.48	$ 333.00
Operator Specialist	3.0	$ 40.07	120.00
400 Operations and Maintenance:			
Clerical	8.5	$ 21.48	183.00
Operator Specialist	252.0	$ 40.07	10,098.00
Expenses			283.00
500 Billing and Accounting:			
Clerical	133.0	$ 21.48	$ 2,857.00
Runner	4.5	$ 13.17	59.00
Expenses			29.00
Total Reasonable Management/Operation Fee			13,962.00

* Hourly rates are contained in the 1987 Agreement.

APPENDIX E

TO STAFF REPORT CASE NO. 91-282

Citizens Fidelity Bank Lexington	
Amount of Indebtedness at the Close of 1990	652,527.00
Citizens Fidelity Prime Rate - November 8, 1991	7.50%
Effective Loan Rate - Prime + 1%	8.50%

Payment Number	Monthly Payment	Monthly Interest	Monthly Principal	Outstanding Balance
1	8,000.00	4,632.94	3,367.06	649,159.94
2	8,000.00	4,609.04	3,390.96	645,768.98
3	8,000.00	4,584.96	3,415.04	642,353.94
4	8,000.00	4,560.71	3,439.29	638,914.65
5	8,000.00	4,536.29	3,463.71	635,450.94
6	8,000.00	4,511.70	3,488.30	631,962.64
7	8,000.00	4,486.93	3,513.07	628,449.57
8	8,000.00	4,461.99	3,538.01	624,911.56
9	8,000.00	4,436.87	3,563.13	621,348.43
10	8,000.00	4,411.57	3,588.43	617,760.00
11	8,000.00	4,386.10	3,613.90	614,146.10
12	8,000.00	4,360.44	3,639.56	610,506.54
13	10,000.00	4,334.60	5,665.40	604,841.14
14	10,000.00	4,294.37	5,705.63	599,135.51
15	10,000.00	4,253.86	5,746.14	593,389.37
16	10,000.00	4,213.06	5,786.94	587,602.43
17	10,000.00	4,171.98	5,828.02	581,774.41
18	10,000.00	4,130.60	5,869.40	575,905.01
19	10,000.00	4,088.93	5,911.07	569,993.94
20	10,000.00	4,046.96	5,953.04	564,040.90
21	10,000.00	4,004.69	5,995.31	558,045.59
22	10,000.00	3,962.12	6,037.88	552,007.71
23	10,000.00	3,919.25	6,080.75	545,926.96
24	10,000.00	3,876.08	6,123.92	539,803.04
25	10,000.00	3,832.60	6,167.40	533,635.64
26	10,000.00	3,788.81	6,211.19	527,424.45
27	10,000.00	3,744.71	6,255.29	521,169.16
28	10,000.00	3,700.30	6,299.70	514,869.46
29	10,000.00	3,655.57	6,344.43	508,525.03
30	10,000.00	3,610.53	6,389.47	502,135.56
31	10,000.00	3,565.16	6,434.84	495,700.72
32	10,000.00	3,519.48	6,480.52	489,220.20
33	10,000.00	3,473.46	6,526.54	482,693.66
34	10,000.00	3,427.12	6,572.88	476,120.78
35	10,000.00	3,380.46	6,619.54	469,501.24
36	10,000.00	3,333.46	6,666.54	462,834.70

Payment Number	Monthly Payment	Monthly Interest	Monthly Principal	Outstanding Balance
37	10,000.00	3,286.13	6,713.87	456,120.83
38	10,000.00	3,238.46	6,761.54	449,359.29
39	10,000.00	3,190.45	6,809.55	442,549.74
40	10,000.00	3,142.10	6,857.90	435,691.84
41	10,000.00	3,093.41	6,906.59	428,785.25
42	10,000.00	3,044.38	6,955.62	421,829.63
43	10,000.00	2,994.99	7,005.01	414,824.62
44	10,000.00	2,945.25	7,054.75	407,769.87
45	10,000.00	2,895.17	7,104.83	400,665.04
46	10,000.00	2,844.72	7,155.28	393,509.76
47	10,000.00	2,793.92	7,206.08	386,303.68
48	10,000.00	2,742.76	7,257.24	379,046.44
49	10,000.00	2,691.23	7,308.77	371,737.67
50	10,000.00	2,639.34	7,360.66	364,377.01
51	10,000.00	2,587.08	7,412.92	356,964.09
52	10,000.00	2,534.45	7,465.55	349,498.54
53	10,000.00	2,481.44	7,518.56	341,979.98
54	10,000.00	2,428.06	7,571.94	334,408.04
55	10,000.00	2,374.30	7,625.70	326,782.34
56	10,000.00	2,320.15	7,679.85	319,102.49
57	10,000.00	2,265.63	7,734.37	311,368.12
58	10,000.00	2,210.71	7,789.29	303,578.83
59	10,000.00	2,155.41	7,844.59	295,734.24
60	297,833.95	2,099.71	295,734.24	0.00
	863,833.95	211,306.95	652,527.00	

APPENDIX F

TO STAFF REPORT CASE NO. 91-282

Amount of Indebtedness at Close of 1990:	652,527.00
Annual Interest Rate:	8.50%
Term of Note in Months:	220
Annual, Semi-Annual, or Monthly Payments:	Monthly
Monthly Payments:	5,862.93
Annual Payments:	70,355.16

	Year	Annual Payment	Annual Interest	Annual Principal	Balance of Indebtedness
1	1990	70,355.16	54,870.78	15,484.38	637,042.62
2	1991	70,355.16	53,502.09	16,853.07	620,189.55
3	1992	70,355.16	52,012.44	18,342.72	601,846.83
4	1993	70,355.16	50,391.10	19,964.06	581,882.77
5	1994	70,355.16	48,626.48	21,728.68	560,154.09
6	1995	70,355.16	46,705.84	23,649.32	536,504.77
7	1996	70,355.16	44,615.48	25,739.68	510,765.09
8	1997	70,355.16	42,340.30	28,014.86	482,750.23
9	1998	70,355.16	39,864.05	30,491.11	452,259.12
10	1999	70,355.16	37,168.91	33,186.25	419,072.87
11	2000	70,355.16	34,235.56	36,119.60	382,953.27
12	2001	70,355.16	31,042.92	39,312.24	343,641.03
13	2002	70,355.16	27,568.06	42,787.10	300,853.93
14	2003	70,355.16	23,786.06	46,569.10	254,284.83
15	2004	70,355.16	19,669.78	50,685.38	203,599.45
16	2005	70,355.16	15,189.64	55,165.52	148,433.93
17	2006	70,355.16	10,313.56	60,041.60	88,392.33
18	2007	70,355.16	5,006.40	65,348.76	23,043.57
19	2008	23,453.09	409.52	23,043.57	0.00
		1,289,845.97	637,318.97	652,527.00	